



FOR IMMEDIATE RELEASE

February 15, 2007

## FACT SHEET

# MAYOR SANDERS DETAILS PLAN TO SAFEGUARD WATER AND WASTEWATER RATEPAYER FUNDS

## INDEPENDENT OVERSIGHT, OUTSIDE AUDITS AND SAVINGS FUND INCLUDED AS MAYOR'S FULFILLS PROMISE TO THE PUBLIC

### SAFEGUARD PLAN OFFERED IN ADVANCE OF COUNCIL VOTE ON CRITICAL NEW RATES

Mayor Jerry Sanders has announced the details of his plan to install safeguards for protecting the ratepayer funds used by the City's water and wastewater systems. The safeguard proposal was delivered to the City Council in fulfillment of the Mayor's pledge to detail the new protections in advance of the Council's February 26 vote on rate increases for both systems.

The Mayor's safeguard plan includes five specific elements:

- Creation of a new **Independent Rates Oversight Committee**
- Installation of a **"Dedicated Reserve from Efficiencies and Savings"** to help offset future rate increases in both systems.
- Annual **financial audits** for both systems
- Annual **performance audits** for both systems beginning in 2008
- **Limiting future "Bid-to-goal" contracts** with City employees to one year

### INDEPENDENT RATES OVERSIGHT COMMITTEE WILL ADDRESS COMMUNITY CONCERNS

Under the Mayor's plan, the City will form a new Independent Rates Oversight Committee (IROC) charged with reviewing and analyzing finances and efficiency measures in both systems.

The IROC will advise the City regarding budgets, project priorities and financial management of the Water and Metropolitan Wastewater Departments.

The new 11 member Committee will include ratepayer representatives and professional experts in the finance, accounting, legal and auditing industries. Members will be nominated by the Mayor and confirmed by the City Council. The IROC will meet every other month at a minimum and more often if deemed necessary by the chair of the Committee. It will replace the current Public Utilities Advisory Committee and will continue to conduct public meetings to gather input from ratepayers and other stakeholders interested in the City's water and wastewater systems.

The IROC will advise the City on the selection of the independent firms that will conduct annual financial and performance audits recommended by the Mayor. The IROC will also provide advice regarding the scope of the audits and about addressing any recommendation coming through the audit process.

### **Independent Rates Oversight Committee Membership Categories:**

Each candidate for appointment to the IROC should possess substantial experience and/or be a member of the classes and professions listed below. A good faith effort will be made to maintain a diverse committee with membership including as many of the following categories and ratepayer classes at any one time.

Single Family Residential Ratepayer	Finance/Municipal Finance
Multi-Family Residential Ratepayer	Legal
Commercial/Industrial Ratepayer	Construction Management
Temporary Irrigation/Construction Ratepayer	Engineering
Auditing/Accounting	Environmental
Science	

### **NEW FUND WILL HOLD SAVINGS COMING FROM EFFICIENCIES AND CHANGING PRIORITIES**

At the Mayor's direction, the City's Chief Financial Officer has created a "Dedicated Reserve from Efficiencies and Savings" (DRES) that will be used to protect and preserve savings found by increasing efficiencies, changing priorities or other actions related to reducing costs of the Capital Improvement Program (CIP) or operations and maintenance of either system.

The DRES will track funds that can be used for accelerating CIP project schedules, creating further efficiencies or other actions that will help to offset the need for any future rate increases in these systems. At the end of each fiscal year, any savings not required to comply with established policies or legal documents will be transferred into the DRES. At the end of four years, any funds transferred into the DRES and not used for capital improvements will be used to lower future rates necessary for the water and wastewater systems.

Under the Mayor's safeguard plan, the IROC will review cost saving measures undertaken in each department and will recommend the deposits to be made to the DRES. The IROC will

review the recommendations coming from both the financial or performance audits and will make its own recommendations regarding how to implement cost saving measures found through those efforts.

#### **AUDITS WILL TRACK FINANCES IN BOTH SYSTEMS**

At the Mayor's direction, the water and wastewater systems will be audited each year for the duration of the four year rate increase schedule. The scope of the audits will focus on the use of ratepayer funds and bond proceeds during those years. The Independent Rates Oversight Committee will advise the Mayor and Chief Financial Officer (CFO) about the complete scope of the annual audits and will assist the Mayor and CFO to select and retain an independent firm capable of performing the audits

#### **EFFICIENCY AND BUSINESS ROUTINES WILL BE REVIEWED IN PERFORMANCE AUDITS**

The Mayor is also requiring that the water and wastewater systems undergo performance audits to review and make recommendation regarding management practices leading to greater efficiencies and cost savings. The goal of the performance audits will be to identify methods to reduce costs in both systems and to create savings that can be deposited in the DRES.

The performance audits will begin following the first full year of operation under the new rate case (July 1, 2008).

The Independent Rates Oversight Committee will advise the Mayor on the selection of a qualified outside firm capable of conducting the performance audit. Findings from the audit will be presented to the IROC in a public meeting and will be used to assist the Mayor in implementing further management efficiencies during the course of the rate case.

#### **BID-TO-GOAL PROGRAM LIMITED IN PREPARATION FOR MANAGED COMPETITION**

To help create a level playing field for the implementation of the voter-approved managed competition plan for the City, Mayor Sanders is directing leaders in the waste and wastewater departments to limit any future bid-to-goal contracts to a one year term with subsequent one year renewal options. Bid-to-goal is a process that allows City employees to improve the efficiency of their job performance with the goal of meeting or exceeding the efficiency expected from private businesses performing similar work.

#### **MAYOR'S SAFEGUARD PLAN LINKS WITH OTHER REFORMS SET TO BENEFIT CITY**

The safeguard plan being implemented for water and wastewater rates is part of Mayor Sanders' overall effort to reform business practices and financial management at the City. The plan follows the Mayor's practice of creating honest and transparent systems that can be reviewed and accessed by stakeholders at every level and that focus on providing cost savings and improved service to City residents.